

February 13, 2023

Q3FY23 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	305		300	
Sales (Rs. m)	3,78,447	7,56,932	3,68,934	7,56,932
% Chng.	2.6	-		
EBITDA (Rs. m)	1,10,744	1,87,050	1,06,902	1,89,728
% Chng.	3.6	(1.4)		
EPS (Rs.)	66.8	95.9	64.1	97.8
% Chng.	4.1	(1.9)		

Key Financials - Consolidated

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	3,00,112	4,12,473	3,78,447	7,56,932
EBITDA (Rs. m)	1,05,004	1,48,911	1,10,744	1,87,050
Margin (%)	35.0	36.1	29.3	24.7
PAT (Rs. m)	67,192	91,907	72,412	1,04,044
EPS (Rs.)	62.0	84.8	66.8	95.9
Gr. (%)	62.1	36.8	(21.2)	43.7
DPS (Rs.)	14.3	22.3	13.4	10.0
Yield (%)	6.4	10.0	6.0	4.5
RoE (%)	24.8	27.1	18.0	21.8
RoCE (%)	19.3	24.8	15.3	20.5
EV/Sales (x)	1.3	0.7	0.8	0.5
EV/EBITDA (x)	3.7	2.0	2.7	1.9
PE (x)	3.6	2.6	3.3	2.3
P/BV (x)	0.8	0.6	0.6	0.5

Key Data

[OILI.BO](#) | [OINL IN](#)

52-W High / Low	Rs.306 / Rs.168
Sensex / Nifty	60,683 / 17,857
Market Cap	Rs.242bn / \$ 2,938m
Shares Outstanding	1,084m
3M Avg. Daily Value	Rs.241.98m

Shareholding Pattern (%)

Promoter's	56.66
Foreign	11.52
Domestic Institution	16.05
Public & Others	15.78
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	4.5	19.6	(2.9)
Relative	3.5	15.9	(5.7)

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Oil India (OINL IN)

Rating: BUY | CMP: Rs224 | TP: Rs305

Operationally strong results

Quick Pointers:

- Q3 blended gas realization and net crude oil realization were at \$9.3/mmbtu (Q2: \$6.7) and \$77.1/bbl (Q2: \$76.8) respectively.
- Q3 NRL EBIDTA at Rs11bn (+8%Q/Q) and PAT at Rs8bn (+10%Q/Q).

We change our FY23-25E estimates by 9.6%/4.1/-1.9% to factor in higher oil realization of US\$84/75/70bbl (\$73/70/70bbl earlier), even as we increase our FY23E dividend payout to Rs24.2bn vs Rs11.6bn earlier (9MFY23 dividend payout at 22.5% to Rs14.5/sh). Oil India (OINL) reported consolidated EBIDTA/PAT of Rs41.8bn (+55%Q/Q)/Rs25.3bn (+20%Q/Q), led by healthy crude oil & gas realization along with steady Numaligarh Refinery (NRL) performance. Standalone EBIDTA came at Rs28.6bn (+54%Q/Q PLe Rs24.1bn) due to lower other expense, while PAT remained flat at Rs17.5bn (PLe Rs15.6bn). We believe OINL's earnings will ride on new capacity addition across crude oil, natural gas and refinery. Maintain 'BUY' with TP of Rs305 (Rs300), based on 3.0x/EV/E FY24E and add value of investment in IOCL.

- Higher gas realization of \$9.3/mmbtu (Q2: \$6.7) drive earnings:** OINL reported strong standalone results with Q3 EBIDTA/PAT of Rs28.6bn (+54%Q/Q) and Rs17.4bn (flat Q/Q). QoQ increase in EBIDTA was due to higher gas realization of \$9.3/mmbtu (Q2: \$6.1). However, PAT remained flat due to lower other income of Rs1bn (Q2: Rs8.9bn included dividend from NRL Rs5bn).
- Cons. EBIDTA/PAT of Rs41.8bn (+55%Q/Q)/Rs25.3bn (+20%Q/Q):** NRL's (Oil India stake ~70%) Q3 EBIDTA was at Rs11.2bn vs Rs10.7bn in Q2, due to higher throughput 798 TMT vs 773TMT in Q2, while GRMs remained mostly flat at USD\$13.5/bbl. Globally, low inventory and strong diesel demand has helped margins and we believe this will likely sustain.
- Q3 crude oil realization steady at \$77/bbl, while gas realization improves:** OINL gross realization was at US\$88.3/bbl; adjusted for windfall taxes of \$11.2/bbl. Net realization was at US\$77.1/bbl, flat QoQ. Blended gas realization for Q3 was at \$9.3/mmbtu (Q2: \$6.7).
- Oil volumes up 2%YoY, but gas remains muted:** OINL's oil and gas production was at 0.81MTPA (+2%Q/Q) and 806mscm (-2%Q/Q). The company has aggressive growth plans and expects 30%/60% increase in oil and gas volumes to 4MTPA/5BCM by FY25E, with commencement of brownfield expansion projects in Assam.
- NRL expansion on track:** OINL is on track for expansion of refining capacity to 9MTPA by FY25 at a capex of Rs290bn. Towards that, NRL has taken project debt of Rs180bn, however, given strong business traction total loan drawn stands at Rs33bn out of capex of Rs80bn spent on expansion till date.

Exhibit 1: Q3FY23 Result Overview (Rs mn) Higher gas realisation drive Q3 earnings

Y/e March	Q3FY23	Q3FY22	YoY gr. (%)	Q2FY23	9MFY23	9MFY22	YoY gr. (%)
Net sales	58,794	37,367	57.3	57,760	1,76,229	1,00,549	75.3
Expenses							
(Increase)/decrease in stock	2,018	772	161.3	457	3,406	2,303	47.9
Employee cost	4,461	4,330	3.0	4,672	13,578	13,077	3.8
Statutory levies	18,686	10,399	79.7	25,112	60,233	28,190	113.7
Other expenditure	5,078	9,194	(44.8)	9,037	25,615	22,841	12.1
Total expenditure	30,242	24,695	22.5	39,278	1,02,832	66,411	54.8
EBITDA	28,552	12,672	125.3	18,482	73,397	34,138	115.0
Depreciation, depletion, & amortization	4,536	4,678	(3.0)	4,236	12,640	12,855	(1.7)
Interest	2,009	1,748	15.0	2,113	6,164	5,838	5.6
Other income	1,022	9,685	(89.4)	8,949	10,594	13,999	(24.3)
Profit before tax	23,029	15,932	44.5	21,081	65,187	29,443	121.4
Current tax	5,318	3,966	34.1	3,401	14,069	5,973	135.5
Deferred tax	-250	-483	(48.2)	-474	-897	823	(209.0)
Profit after tax	17,461	12,449	40.3	17,205	50,221	22,647	121.8

Source: Company, PL

Exhibit 2: OINL quarterly volume and realization details supported by higher gas earnings

Sales break-up	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Crude oil	16,585	21,429	25,273	27,521	30,346	38,457	47,097	44,003	39,725
Natural gas	2,531	2,392	2,542	2,884	4,308	3,937	8,453	11,847	16,603
LPG	284	370	342	389	593	544	675	-	-
Income from transportation	1,051	779	894	967	881	709	971	-	-
Others/unallocated	706	698	891	1,245	1,114	1,008	2,354	1,910	21,956
Condensate	103	128	129	112	125	131	125	-	-
Total income	20,554	25,098	29,179	31,873	36,253	43,778	57,322	55,849	56,327
Production (Quantity)									
Crude oil (MMT)	0.75	0.72	0.75	0.76	0.75	0.75	0.78	0.79	0.81
Crude oil (mmbbl)	5	5	5	5	5	5	6	6	6
Natural Gas (mmscm)	673	649	711	807	793	734	771	823	806
Sales (Quantity)									
Crude oil (MMT)	0.72	0.70	0.72	0.74	0.73	0.73	0.76	0.78	0.77
Crude oil (mmbbl)									
Natural Gas (mmscm)	586.00	555.00	608.00	674.00	632.00	557.00	572.00	626.00	610.00
LPG (tonnes)	8,614	8,678	7,522	7,491	9,443	8,638	8,821	NA	-
Rs/\$	73.80	72.90	73.77	74.10	74.93	75.23	77.20	79.60	82.10
Realizations (US\$/bbl)									
Gross realization	44.09	59.80	67.15	71.35	78.60	98.08	112.73	100.59	88.33
Net realization	44.09	59.80	67.15	71.35	78.60	98.08	112.73	76.77	77.13
Gas (Rs/scm)	4.32	4.31	4.18	4.28	6.82	7.07	14.78	18.92	27.22
LPG (US\$/ton)	447.37	584.39	616.33	700.80	838.09	836.67	991.22	NA	NA

Source: Company, PL

Conference Call Highlights

- **FY24E Oil and gas production target stands at 3.4MTPA and 3.3BCM.**
- **OINL has capex target of Rs40bn, while NRL has Rs80bn.** Entire NRL expansion project is expected to be completed by FY25 with an investment of Rs280bn. Till date NRL capex has been Rs80bn.
- **Current consolidated debt stands at Rs175bn.**
- **Overseas earnings to be repatriated:** OINL has USD175mn at Singapore subsidiary and \$120mn at Russian JV to be repatriated.
- **Q3 forex loss written-off stood at Rs490m vs Rs2.9bn in Q2.**

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	3,00,112	4,12,473	3,78,447	7,56,932
YoY gr. (%)	33.4	37.4	(8.2)	100.0
Cost of Goods Sold	53,869	1,00,123	1,03,127	3,20,494
Gross Profit	2,46,243	3,12,349	2,75,320	4,36,438
Margin (%)	82.1	75.7	72.7	57.7
Employee Cost	20,533	22,573	24,830	29,370
Other Expenses	24,632	39,490	40,968	42,545
EBITDA	1,05,004	1,48,911	1,10,744	1,87,050
YoY gr. (%)	84.2	41.8	(25.6)	68.9
Margin (%)	35.0	36.1	29.3	24.7
Depreciation and Amortization	18,245	21,944	17,910	27,597
EBIT	86,759	1,26,967	92,833	1,59,453
Margin (%)	28.9	30.8	24.5	21.1
Net Interest	9,401	9,954	9,679	23,223
Other Income	11,426	19,556	22,032	24,606
Profit Before Tax	88,784	1,36,569	1,05,186	1,60,835
Margin (%)	29.6	33.1	27.8	21.2
Total Tax	22,710	34,768	26,722	41,089
Effective tax rate (%)	25.6	25.5	25.4	25.5
Profit after tax	66,074	1,01,802	78,464	1,19,746
Minority interest	-	9,895	6,052	15,702
Share Profit from Associate	1,119	-	-	-
Adjusted PAT	67,192	91,907	72,412	1,04,044
YoY gr. (%)	62.1	36.8	(21.2)	43.7
Margin (%)	22.4	22.3	19.1	13.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	67,192	91,907	72,412	1,04,044
YoY gr. (%)	62.1	36.8	(21.2)	43.7
Margin (%)	22.4	22.3	19.1	13.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	67,192	91,907	72,412	1,04,044
Equity Shares O/s (m)	1,084	1,084	1,084	1,084
EPS (Rs)	62.0	84.8	66.8	95.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	2,67,993	3,39,242	3,84,242	6,49,242
Tangibles	2,65,900	3,38,699	3,83,699	6,48,699
Intangibles	2,093	543	543	543
Acc: Dep / Amortization	1,10,202	1,32,146	1,50,056	1,77,653
Tangibles	1,10,202	1,32,146	1,50,056	1,77,653
Intangibles	-	-	-	-
Net fixed assets	1,57,791	2,07,096	2,34,185	4,71,589
Tangibles	1,55,698	2,06,553	2,33,643	4,71,046
Intangibles	2,093	543	543	543
Capital Work In Progress	58,997	72,000	1,31,086	17,000
Goodwill	-	-	-	-
Non-Current Investments	2,74,256	1,82,818	1,83,264	1,83,744
Net Deferred tax assets	(31,449)	(34,057)	(39,204)	(43,934)
Other Non-Current Assets	13,083	3,371	3,704	4,070
Current Assets				
Investments	5,812	4,621	5,083	5,591
Inventories	39,121	56,786	51,667	99,507
Trade receivables	17,505	37,862	34,318	52,505
Cash & Bank Balance	15,503	1,22,716	1,62,023	2,54,802
Other Current Assets	21,189	37,199	39,199	41,314
Total Assets	6,05,241	7,29,454	8,49,793	11,35,680
Equity				
Equity Share Capital	10,844	10,844	10,844	10,844
Other Equity	2,94,775	3,62,454	4,20,314	5,13,537
Total Network	3,05,619	3,73,299	4,31,158	5,24,382
Non-Current Liabilities				
Long Term borrowings	1,63,884	1,15,911	1,65,707	3,05,742
Provisions	10,945	13,225	13,894	14,597
Other non current liabilities	98	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	503	63,000	63,000	63,000
Trade payables	16,930	32,764	29,808	57,270
Other current liabilities	50,657	58,219	61,844	65,721
Total Equity & Liabilities	6,08,183	7,29,454	8,49,793	11,35,680

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	89,902	1,36,569	1,05,186	1,60,835
Add. Depreciation	18,245	21,944	17,910	27,597
Add. Interest	9,401	9,954	9,679	23,223
Less Financial Other Income	11,426	19,556	22,032	24,606
Add. Other	(11,426)	(19,556)	(22,032)	(24,606)
Op. profit before WC changes	1,06,122	1,48,911	1,10,744	1,87,050
Net Changes-WC	112	(23,354)	11,776	(32,865)
Direct tax	(24,030)	(28,194)	(21,576)	(33,564)
Net cash from Op. activities	82,204	97,363	1,00,943	1,20,621
Capital expenditures	(53,895)	(73,991)	(1,04,086)	(1,50,914)
Interest / Dividend Income	-	-	-	-
Others	(7,393)	1,10,071	22,032	24,606
Net Cash from Invt. activities	(61,288)	36,081	(82,054)	(1,26,308)
Issue of share cap. / premium	33,246	(6,573)	(5,147)	(7,525)
Debt changes	(29,672)	14,524	49,796	1,40,035
Dividend paid	(15,453)	(24,227)	(14,552)	(10,821)
Interest paid	(9,401)	(9,954)	(9,679)	(23,223)
Others	-	-	-	-
Net cash from Fin. activities	(21,280)	(26,231)	20,418	98,466
Net change in cash	(363)	1,07,213	39,307	92,779
Free Cash Flow	28,309	23,372	(3,143)	(30,293)

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Net Revenue	44,786	59,676	57,760	58,794
YoY gr. (%)	73.6	98.5	74.4	57.3
Raw Material Expenses	624	931	457	2,018
Gross Profit	44,163	58,745	57,302	56,776
Margin (%)	98.6	98.4	99.2	96.6
EBITDA	19,585	26,364	18,482	28,552
YoY gr. (%)	361.1	113.8	102.3	125.3
Margin (%)	43.7	44.2	32.0	48.6
Depreciation / Depletion	2,113	3,868	4,236	4,536
EBIT	17,471	22,496	14,246	24,016
Margin (%)	39.0	37.7	24.7	40.8
Net Interest	1,993	2,042	2,113	2,009
Other Income	4,943	623	8,949	1,022
Profit before Tax	20,421	21,077	21,081	23,029
Margin (%)	45.6	35.3	36.5	39.2
Total Tax	4,121	5,522	3,876	5,568
Effective tax rate (%)	20.2	26.2	18.4	24.2
Profit after Tax	16,300	15,555	17,205	17,461
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	16,300	15,555	17,205	17,461
YoY gr. (%)	3.5	83.4	297.2	52.1
Margin (%)	36.4	26.1	29.8	29.7
Extra Ord. Income / (Exp)	1	-	-	-
Reported PAT	16,301	15,555	17,205	17,461
YoY gr. (%)	8.3	83.4	297.2	52.1
Margin (%)	36.4	26.1	29.8	29.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	16,301	15,555	17,205	17,461
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	62.0	84.8	66.8	95.9
CEPS	78.8	105.0	83.3	121.4
BVPS	281.8	344.2	397.6	483.6
FCF	26.1	21.6	(2.9)	(27.9)
DPS	14.3	22.3	13.4	10.0
Return Ratio(%)				
RoCE	19.3	24.8	15.3	20.5
ROIC	14.9	21.1	13.6	18.2
RoE	24.8	27.1	18.0	21.8
Balance Sheet				
Net Debt : Equity (x)	0.5	0.1	0.1	0.2
Net Working Capital (Days)	48	55	54	46
Valuation(x)				
PER	3.6	2.6	3.3	2.3
P/B	0.8	0.6	0.6	0.5
P/CEPS	2.8	2.1	2.7	1.8
EV/EBITDA	3.7	2.0	2.7	1.9
EV/Sales	1.3	0.7	0.8	0.5
Dividend Yield (%)	6.4	10.0	6.0	4.5

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Gross realisation (US\$/bbl)	79	84	75	70
Subsidy (US\$/bbl)				
Net realisation (US\$/bbl)	79	84	75	70
Oil Production (mn tons)	3	3	3	4
Gas production (mscm)	3,045	3,197	3,357	4,029
US\$/Rs	76	78	80	83
Subsidy (Rs mn)				

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	03-Jan-23	BUY	300	215
2	11-Nov-22	BUY	300	196
3	01-Oct-22	BUY	300	175
4	05-Jul-22	BUY	300	191
5	05-Jun-22	BUY	344	251
6	28-May-22	BUY	344	218
7	23-May-22	BUY	240	162
8	04-Apr-22	BUY	360	237
9	14-Feb-22	BUY	351	229

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bharat Petroleum Corporation	BUY	420	335
2	Bharti Airtel	BUY	1,008	775
3	GAIL (India)	BUY	123	95
4	Gujarat Gas	Hold	530	490
5	Hindustan Petroleum Corporation	BUY	310	232
6	Indian Oil Corporation	BUY	125	82
7	Indraprastha Gas	BUY	564	413
8	Mahanagar Gas	BUY	1,103	850
9	Oil & Natural Gas Corporation	BUY	180	150
10	Oil India	BUY	300	215
11	Petronet LNG	BUY	326	223
12	Reliance Industries	BUY	2,878	2,443

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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